LATHAM&WATKINS LLP

May 10, 2006

VIA ELECTRONIC FILING
REDACTED FOR PUBLIC INSPECTION

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: *Ex Parte* Notice of ACS of Anchorage, Inc., *Petition of ACS of Anchorage, Inc.*
Pursuant to Section 10 of the Communications Act of 1934, as amended, for
Forbearance from Section 251(c)(3) and 252(d)(1) in the Anchorage LEC Study
Area, WC Docket No. 05-281

Dear Ms. Dortch:

On May 9, 2006, Leonard Steinberg of Alaska Communications Systems Group, Inc.
("ACS") and Karen Brinkmann, Elizabeth Park and Anne Robinson of Latham and Watkins
LLP, met with Ian Dillner, legal advisor to Chairman Martin, and separately with Carol Simpson,
Renee Crittendon, Denise Coca, Pam Megna, and Michael Goldstein of the Wireline
Competition Bureau ("WCB") in connection with the above-referenced proceeding. Charles
Jackson, consultant to ACS, also attended the meeting with WCB staff.

In each of the meetings, ACS described the extensive facilities-based local exchange
competition in Anchorage. ACS's primary competitor, General Communication, Inc. ("GCI"),
has cable and fiber facilities that are currently used, or could easily be used, to provide local
exchange service to a significant number of both business and residential customers in each of
the wire centers in the Anchorage study area. Further, intermodal networks provide a means for
additional competitive entry without the use of ACS's UNEs. Thus, GCI and other competitive
carriers would not be impaired without access to ACS's UNEs.

Further, the Regulatory Commission of Alaska ("RCA") has determined that there is
effective competition for many intrastate retail services and has adopted less stringent rules for
filing tariffs for these competitive services. However, this relief relates only to tariff filing
procedures and does not impact the RCA's authority to regulate rates and practices even after it
determines ACS to be nondominant. Additionally, ACS maintains dominant status with respect
to a number of intrastate retail services, including interexchange access services, special access
services, line extensions, and construction services. Therefore, state regulation will ensure that
ACS's rates and practices are just, reasonable and nondiscriminatory.

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Attached are copies of materials (redacted for public inspection) provided to the meeting attendees. Please contact the undersigned if you have any questions regarding this submission.

Respectfully submitted,

Elizabeth R. Park

Enclosures

1. **The Anchorage study area is the appropriate geographic market for UNE forbearance.**

   ➢ Anchorage has a small population and a uniform distribution of ACS and GCI facilities.

   ➢ Rates are averaged across the study area; carriers recover costs of serving high cost areas on an averaged basis.

      • GCI proposes to carve out as separate geographic markets high cost areas in which it deems facilities-deployment to be uneconomic; this defeats the goals of competitive deployment.

   ➢ GCI and ACS agree that wire centers are not correct geographic markets.

2. **Mass market and enterprise customers are the two appropriate product markets.**

   ➢ ACS and its competitors market the same services and prices to all mass market and enterprise customers throughout the study area.

   ➢ GCI's proposal for overly granular product market definitions lack support in either legal precedent or the realities of the Anchorage market.

      • MDU residents receive the same products at the same rates available throughout the study area. GCI has not demonstrated impairment in accessing MDU customers.

      • The vast majority of Anchorage enterprise customers order four or fewer access lines, and almost all are served over DS0 capacity lines.

3. **There is rampant competition throughout the Anchorage study area in markets for both mass market and enterprise customers.**

   ➢ GCI currently serves a majority of the retail market.

   ➢ GCI has a well-developed mass market network and high-capacity enterprise facilities.

   ➢ GCI's speed of deployment depends on business decisions regarding resource allocation.

   ➢ Although GCI claims its cable facilities are not "near" many of its customer locations, GCI does not disclose where its voice-enabled facilities are located.

      • A significant portion of business locations are near GCI's cable facilities, and GCI has demonstrated its ability to use WLL and point-to-point microwave technology.

      • GCI's fiber facilities and DOCSIS-compatible technology would enable GCI to serve additional business customers without UNEs.

   ➢ Intra-and intermodal networks in the Anchorage market provide additional facilities.

4. **Federal and state regulation will ensure that ACS's rates and practices are just, reasonable and nondiscriminatory.**

   ➢ ACS is not seeking forbearance from other Section 251 provisions that regulate ACS's wholesale services, including interconnection and resale.

   ➢ The RCA's nondominance order does not impact ACS's obligation to offer "just and reasonable rates," and maintains ACS's dominant status for a number of intrastate retail services, such as special access services.

ACS OF ANCHORAGE, INC.
May 9, 2006 Wireline Competition Bureau Meeting

Fact Summary

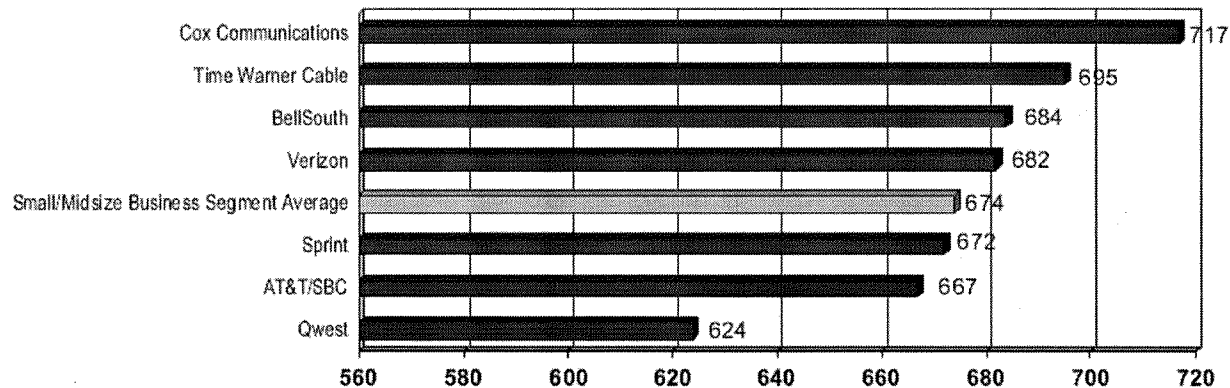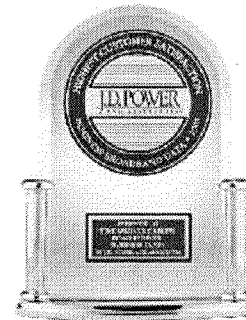1.   **There is substantial facilities-based competition in Anchorage.**

  ➢ ACS estimates that as of March 31, 2006, GCI serves 49.4% of the Anchorage market, and ACS serves 48.0% of the market.

  ➢ As of March 31, 2006, ACS estimates that GCI provides local exchange service to approximately 88,500 retail lines; ACS serves 85,800 retail lines; and additional competitors serve 4,650 retail lines in Anchorage.

  ➢ GCI ordered 51,000 UNE loops in June 2005 but only 39,677 in March 2006.

  ➢ Several intermodal networks over which local voice services can be offered currently serve Anchorage. Vonage and AT&T Callvantage market VoIP services in Anchorage. VoIP services in Anchorage can be provided over Clearwire's wireless broadband network and GCI's extensive cable modem broadband network. GCI indicates that almost all its cable homes passed in Alaska are able to subscribe to cable modem service.

2.   **Customers have access to facilities-based alternatives throughout the Anchorage market.**

  ➢ Per GCI, it is "economically feasible" for it to reach **[REDACTED]** of its residential customers and **[REDACTED]** of its business customers using its own network.

  ➢ GCI estimates that **[REDACTED]** of its residential customers and **[REDACTED]** of its business customers are "near" its cable plant.

  ➢ In its March 2006 earnings call, GCI stated that it was providing voice service on 22,000 DLPS lines in service at the end of 2005 and expects to convert 20,000 more customers to DLPS this year. Based on this projection, ACS estimates that, while 45% of GCI's customers are served over ACS UNE loops today, only 25% of its customers will be serve over UNE loops at the end of 2006.

  ➢ In the earnings call, GCI's CEO stated that 90% of the homes passed by cable infrastructure in Alaska will be upgraded for voice service by the end of 2006.

  ➢ GCI fails to provide the locations of its voice-enabled facilities.

  ➢ There is evidence of both DLPS and wireless alternative networks in all five wire centers in Anchorage.

Opportunity for MSOs

- Among MSO and LEC data service providers, Cox Communications ranks highest in satisfying small and mid-size business customers

	Score
Cox Communications	717
Time Warner Cable	695
BellSouth	684
Verizon	682
Small/Midsize Business Segment Average	674
Sprint	672
AT&T/SBC	667
Qwest	624

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U.S. Ethernet-Based Services Revenues

- 2004   2.5 Billion Dollar market
- 2005   5.0 Billion Dollar Market
- 2006-09   22 Billion Dollar Market

Source: *Infonetics & Lightwave (2005)*

Utilize Existing HFC & Architecture

Expand Sales to SMBs

Compete Effectively Against I/LECs

Easily Expand Revenue Streams

Ethernet Services
CRUISE
with SPEED & EASE

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U.S. Small & Medium Business (SMB) Market Segments

SMB Market (# of Employees)	SMB Category Size	Monthly Spending	Total Spend Monthly	Total Spend Annual	Total Spend Percent (%) of SMB Market
5 to 9	1,006,000	600	603,600,000	7,243,200,000	27%
10 to 19	610,000	1,200	732,000,000	8,784,000,000	33%
20 to 99	521,000	1,700	885,700,000	10,628,400,000	40%
5 to 99	2,137,000		2,221,300,000	26,655,600,000	

Sizing U.S. SMB Market For MSO Revenues

U.S. revenue potential from SMBs with 5 to 99 employees.

Cable Industry has a tremendous opportunity to increase its share of the estimated annual $38B SMB marketplace

6   * Source: Stratecast Partners

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Solutions for Vertical Industries, including education, government and healthcare

Healthcare Network Applications

- **High-speed Internet**
- **In-patient telephone and television service**
- **LAN-to-LAN**
- **Internet/Voice Bundle**
- **Managed VPN**
- **Managed Firewall**

.... give your small business unlimited calls within the U.S., Puerto Rico and Canada at a great flat rate - all with no annual or long-term contracts...........

A R R I S

ARRIS Business Services & Applications For Cable
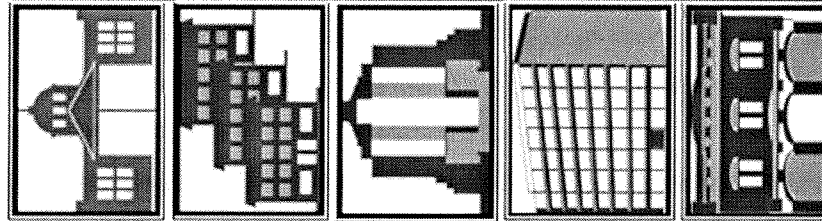
APPLICATIONS:	
Enterprise	
SMB/SOHO	
MDU/Hotel	
Municipal Mesh Network	
Campus Network	
Long Reach Backhaul	

- Multi-line VoIP Services
- Higher Speed Data Services
- Symmetrical Data Services
- Wideband Data Services Speed
- Virtual Private Networks
- Virtual LAN Services
- T1 PBX Voice & Private Lines
- Commercial Grade Wi-Fi Services
- Wireless Data Extensions
- Hospitality & MDU HSD solutions

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ARRIS Commercial Services Solutions
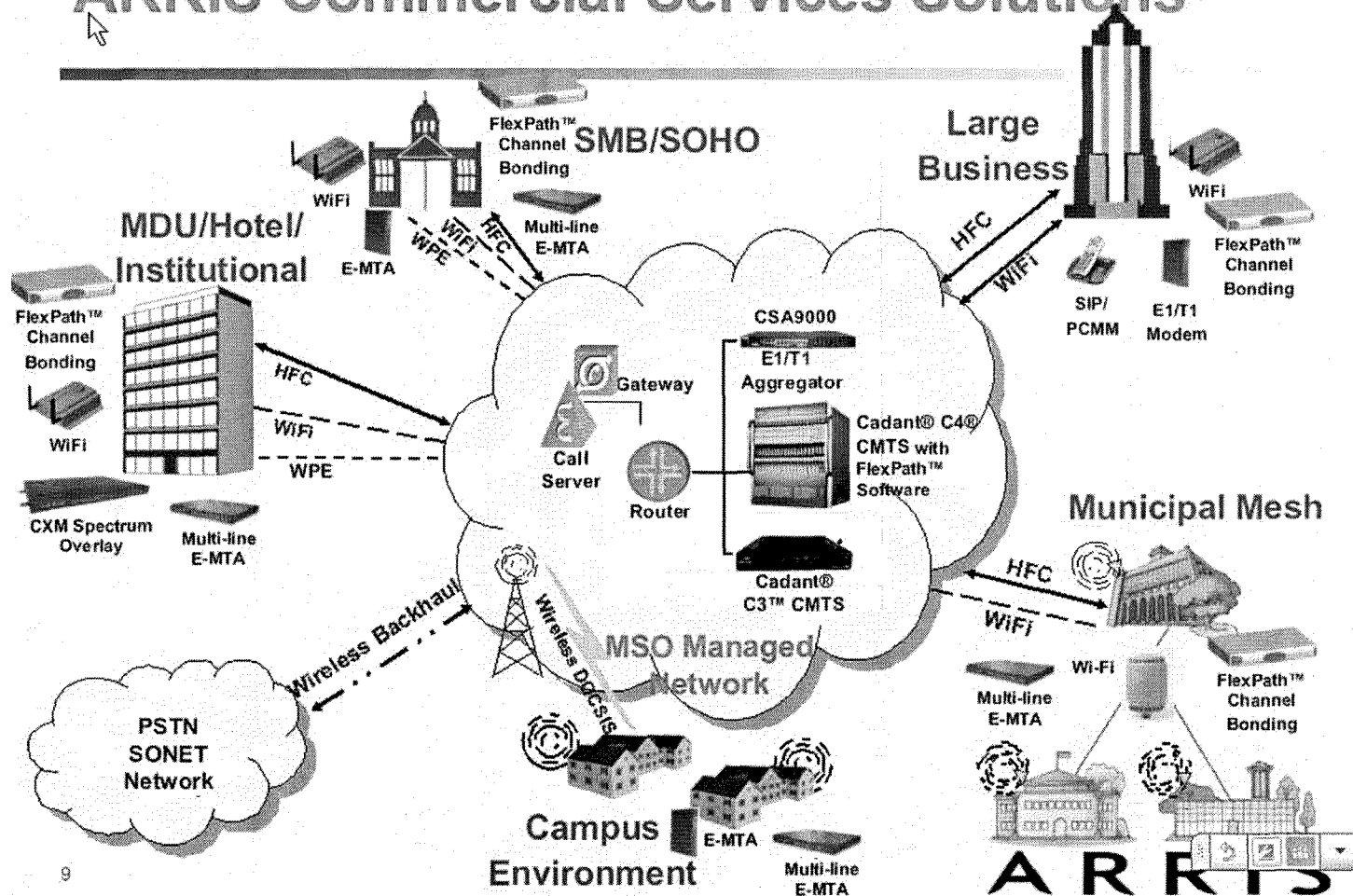
ARRIS Business Product Matrix

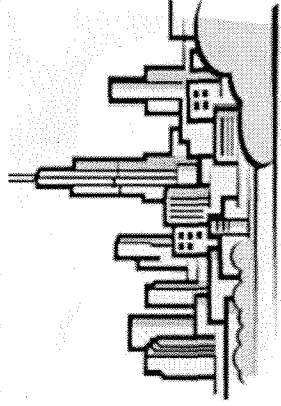| Applications	ARRIS COMMERCIAL SERVICES PRODUCT PORTFOLIO								
	Cadant® C3™ CMTS	Cadant C4® CMTS	CES-M / CSA	FMC	Arcwave	CXM™	Wireless DOCSIS®	Touchstone® CPE	BelAir
SMB/SOHO									
Enterprise									
MDU/Hotel									
Municipal Mesh Network									
Campus Network									
Long Reach Backhaul									
Special Feature	Layer2/3 VPN, DS1/E1, Voice (SIP & NCS), DOCSIS, DS1/E1, PCMM	Layer 2 VPN, DS1/E1, Wireless DOCSIS, SIP & NCS Voice, DS1/E1, Packet Channel Bonding, PCMM, DSG	Pseudo Wire/TDM to Ethernet transport conversion	Short distance physical bypass Cellular/Wi-Fi convergence	Transport TDM voice, VoIP, streaming media.	High Speed Data Distribution, Non interfering with existing CATV, High S/N 12-15 dB for old MDUs	Automatic adaptive Modulation includes QPSK	E-MTA - IP Voice, High Speed & Wideband Data Applications. SIP/NCS Support	Single/Multi Radio Wi-Fi; Mesh-Network
Supported by Primary Technology	PacketCable/Euro-PacketCable, DOCSIS/Euro-DOCSIS	PacketCable/Euro-PacketCable, DOCSIS/Euro-DOCSIS	DOCSIS 2.0 compliant PWE3	Fixed Mobile Convergence (3G)	Wireless DOCSIS Drop	Spread Spectrum	PacketCable/Euro-PacketCable, DOCSIS/Euro-DOCSIS	PacketCable/Euro-PacketCable, DOCSIS/Euro-DOCSIS	Wi-Fi; DOCSIS
Network Interface	Fast/GigE DOCSIS/Euro-DOCSIS	Fast/GigE DOCSIS/Euro-DOCSIS	FastE @ Headend Aggregator, DOCSIS/Euro-DOCSIS	10/00BaseT Ethernet RJ45	Fast/GigE	Wideband DOCSIS - Gateway Coax Up to 100 Mbps Downstream	Fast E	Fast/GigE DOCSIS/Euro-DOCSIS	10/100BaseT Ethernet; Optical; DOCSIS
Customer Interface	RF @ Edge DOCSIS /Euro-DOCSIS	RF @ Edge DOCSIS /Euro-DOCSIS	T1/E1 TDM	Wireless 802.11x and GSM/CDMA	100/1000 BaseT/ USB	100/1000 BaseT/ USB	100/1000 BaseT/ USB	100/1000 BaseT/GigE & USB	Wireless 802.11 b/g
Data Transmission Speed	Up to: 42.88 Mbps down, 30.72 Mbps up	Up to: 160 Mbps down & 120 Mbps up	E1/T1 - 1.5/2.0 Mbps	11 - 54 Mbps (Wi-Fi)	Up to: 42.88 Mbps down, 30.72 Mbps up	Wired: 36 Mbps down., 12 or 24 Mbps up	Up to: 42.88 Mbps down, 30.72 Mbps up	Up to: 160 Mbps down, 120 up	

Local Government Agencies

Customer Profile

- Multiple agencies/Locations
- Intensive communication needs
- Field of offices across Serving area
- Need network-based system across multiple locations
- Prefers contract with system integrator
- Require plan to ensure network continuity
- Desire secure e-mail & VPN

MSO Key Selling Points

- Open platform, not proprietary
- Meet scalability needs
- Ease of partitioning system between agency locations
- Robust survivability, geographic redundancy

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ARRIS Touchstone® E-MTA Portfolio

Residential

1-Line TM501

2-Line TM502

2-Line Wireless WTM552A

2-Line Outdoor TP402

4-Line Outdoor TP404

Small Office Multi-Dwelling

8 Line TM508

12 Line TM512

Wideband Modem With FlexPath™ WBM650A

Medium+

Wideband Modem With FlexPath™ WBM650A

T1/E1 Circuit Emulation Services

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Multi-Dwelling & Medium Businesses

Touchstone® TM508 & TM512 Multi-Line E-MTAs
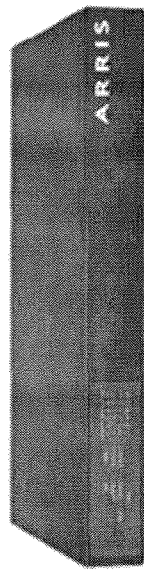
Front

Rear

* Applications:
  - 1 to 12 Lines
  - IP Centrex
  - Multiple Dwelling Units (MDU)
  - Carrier class VoIP telephony
  - Single or Multiple End-Users
  - PacketCable NCS and SIP

* Features:
  - Integrated DOCSIS 2.0 CM
  - RJ45 10/100BaseT interface
  - Supports up to 14 non-blocking simultaneous call events
  - Per Line Current Boost
  - Wall or Rack mountable

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ARRIS™

Overlay For Vertical Markets & Niche Opportunities

ARRIS Cadant® C3™ CMTS

- For Small & Medium Markets
  - PacketCable & Session Initiated Protocol (SIP) Voice
  - E1/T1 Services
  - Virtual Private Networks with 802.1Q MPLS Mapping
  - Supports 3,000 Registered High Speed Data Subs
  - Features:
  - Superior DOCSIS 2.0 Performance in Challenging HFC Plant
  - Ingress Noise Cancellation
  - Digital RF Receiver
  - Dual Processors
  - Advanced Error Correction
  - Pre-equalization
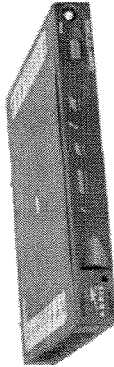
Layer 2 & 3 Operation

ARRIS

High Speed Data – Hotels & MDUs

Larger Hotels Where Existing Coax Plant Wiring Is DOCSIS® Ready

- Cadant® C3™ CMTS Located In Hotel Wiring Hub
  - Mitigate Poor Wiring Conditions & RF Noise
  - DOCSIS 2.0 CMTS Supports SCDMA And ATDMA
  - Uses Existing Building Coax Distribution
  - Works With Any DOCSIS Cable Modems
  - Supports VoIP (SIP & NCS)
  - Digital Front End And Noise Cancellation For +6db Improved Performance
  - Up To 3000 Cable Modems
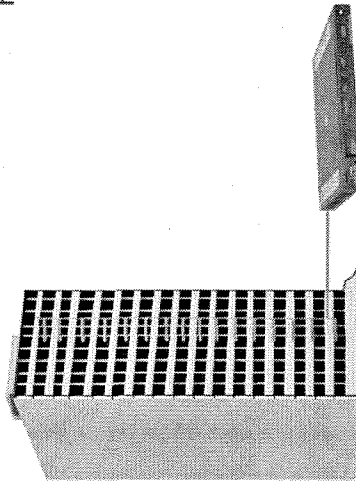
Inexpensive ~ $40 Per Room

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Virtual Local & Wide Area Network

Managed Ethernet Network

HFC Wide Area Networks

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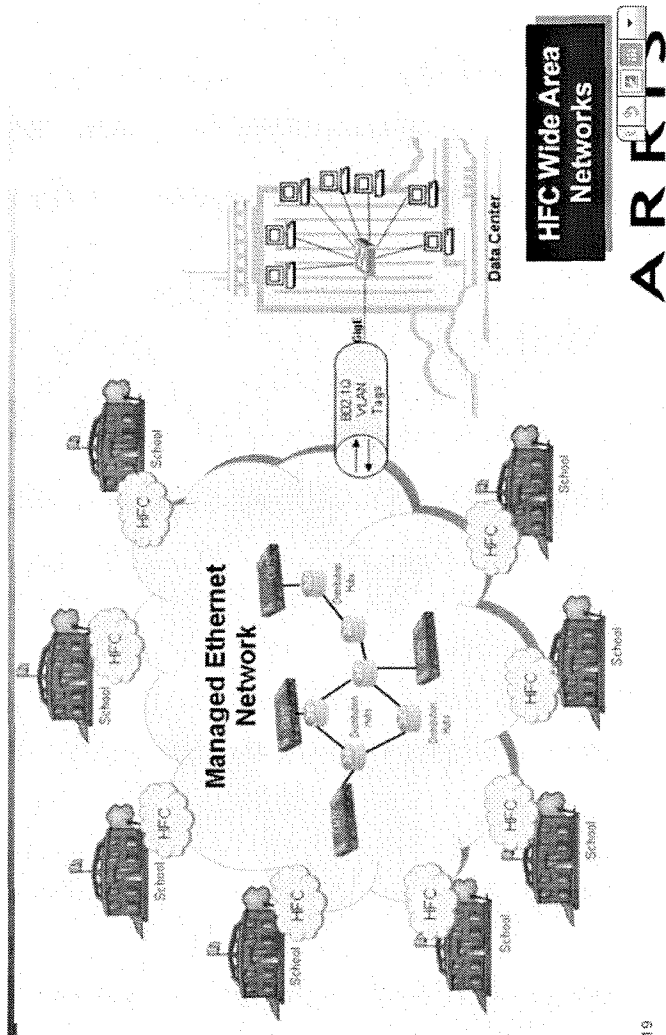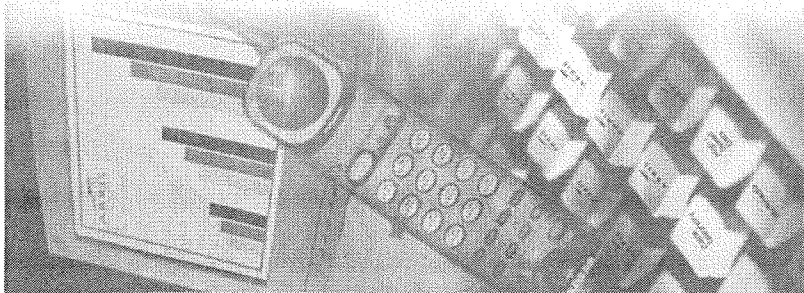
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Medium Business Market Opportunities

ARRIS Cadant® C4® CMTS

* Redundant Control Complex-
  For Continued Service During
  Maintenance

* Redundant Network Interface-
  Unsurpassed Network Reliability

* Redundant RF Modules-
  Customizable Per-Customer
  Sparing Levels
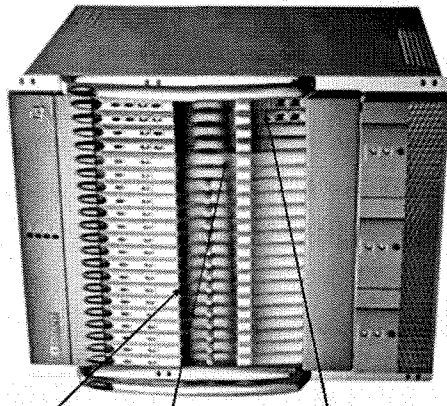
High Capacity Voice, Broadband Data & Multimedia Services

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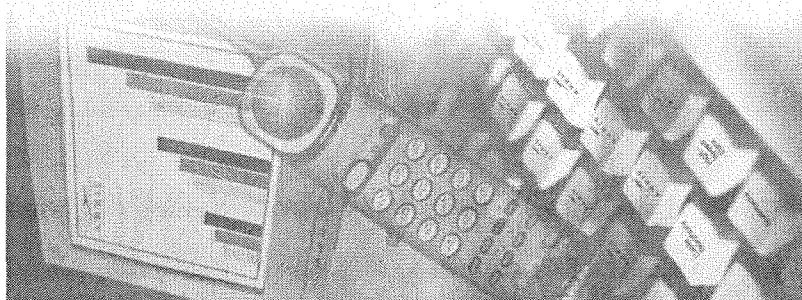
MDU, Hotel & Office Buildings

Coaxial Based Distribution

CXM™ Solution

BG300 Broadband Gateway

- Provides support for up to 256 SandDollars (client modems)
- One-half RU design, 12 inches by 9 inches
- Supports any 10/100 BaseT Ethernet based backhaul
- Provides data delivery at 36 Mbps downstream and 20 Mbps upstream
- CATV and DirecTV compatible frequency plans
- Dual (redundant) power supplies
- Single coaxial cable connection
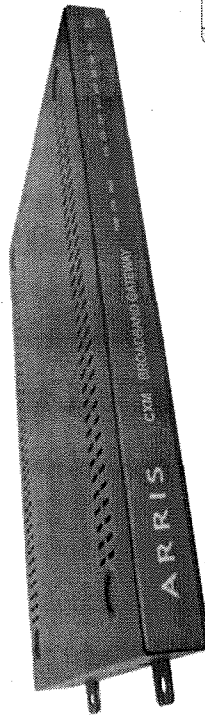
ARRIS FlexPath™ Wideband Services

- Up to 160Mbps
- Standards-based DOCSIS® 2.0
- Continued Supported in DOCSIS 3.0

Touchstone® WBM650A
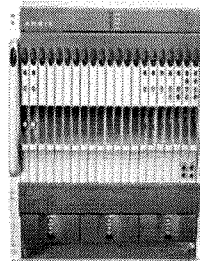
Downstream	Upstream	Interfaces
• Up to 4 discrete bonded DOCSIS channels – 64/256QAM	• Up to 4 upstream DOCSIS 2.0 return channels	• Ethernet 10/100/1000Bt
• Up to 160Mbps	• Up to 120Mbps	• Easy-to-understand LED visual indicators
• Supports both TCP and UDP traffic	• Quality of Service	• External AC/DC converter

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Where can CXM™ be installed?

High-rise/Garden-Style/Strip Mall

CXM Access Appliance

CXM Broadband Gateway

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CXM™ and Wireless DOCSIS®

BASE STATION

Wireless DOCSIS
Cable Modem WM450

With Wireless Cable Modem WM450

CXM Supporting In-building Distribution

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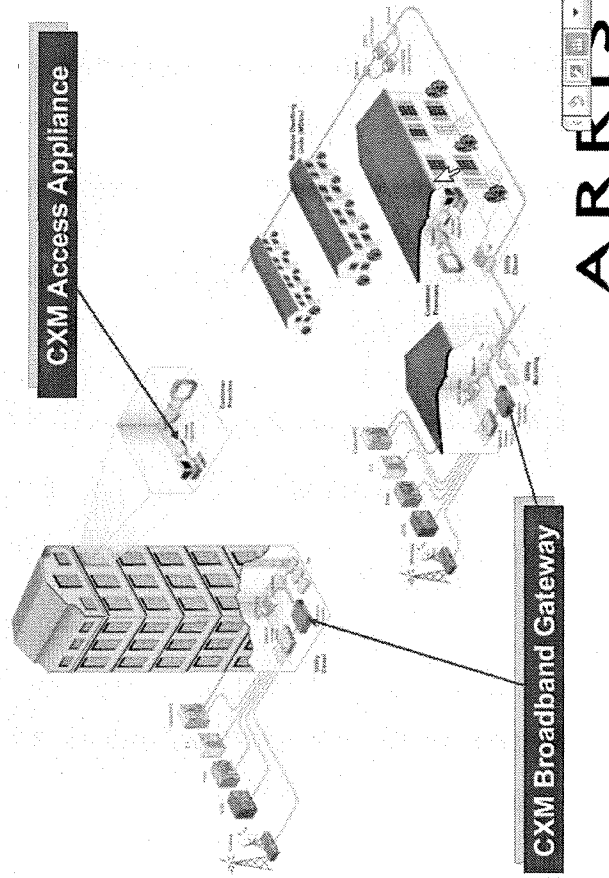
CXM™ CPE

SD300 (Client Modem)

- Provides 10/100 BaseT Ethernet data interface for client PC
- Plug and play operation - No driver installation required
- CATV and DirecTV compatible frequency plans

ARRIS

CXM™ Wireless CPE

SD230 SandDollar Wireless Access point

- Excellent Signal Strength
  - Up to 1,312 feet (400 meters) outdoors and up to 328 feet (100 meters) indoors
- Fully 802.11b compatible
  - Network Security
  - 64/128/256 bit WEP
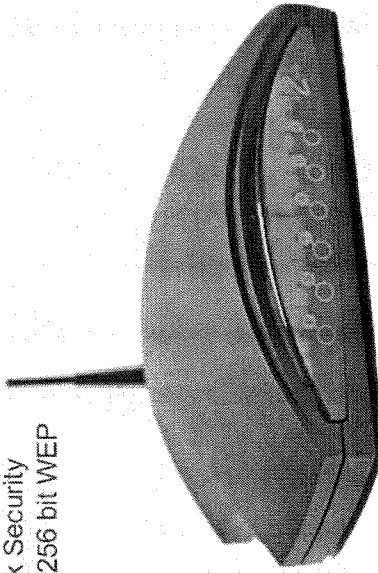
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Basic Architecture
T1/E1 PBX & LAN Applications

T1-equipped digital PBX

T1 Modem

T1 Modem

T1-equipped WAN switch

ADM

SONET

ADM

ADM

CSA9000 Aggregator

T1, T3/Ethernet fiber

CMTS

Core TDM Transport Infrastructure

T1

Legacy TDM Switch

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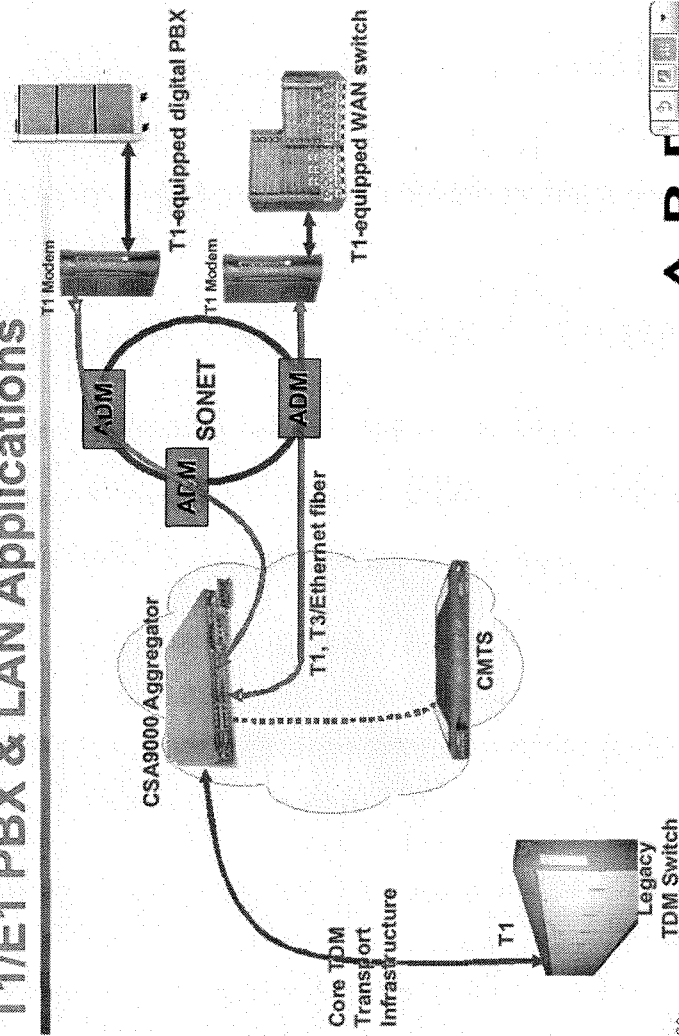
Touchstone® T1/E1 Circuit Emulation Services Modem

- Based on ARRIS' industry leading carrier-grade E-MTA
  - Ethernet (RJ45) data interfaces
  - T1 TDM data interface
  - Lithium-ion battery back-up 2.2 Ah
  - DOCSIS® 2.0 compliant transport
- TDM data and packet data both supported from a single, compact, battery-backed CPE
- Proven and extremely stable DOCSIS 2.0 CM with very large deployed base
- Industry leading Li-Ion battery technology
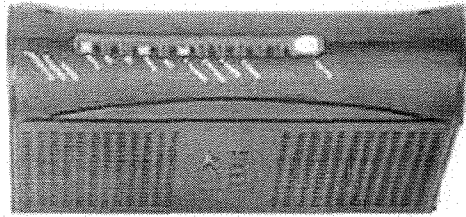
CSM470 MTA

ARRIS

ARRIS™
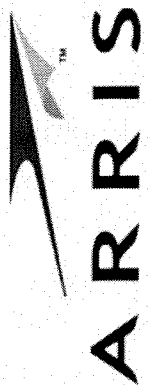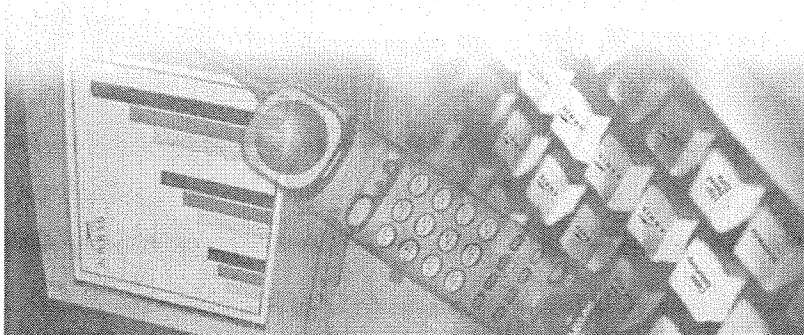
Other Wireless
Commercial Solutions

Multiple Potential Solutions For Most Applications

- No single solution for every application
  - Solutions may differ based on desired technology and ROI
  - Multiple technologies may be employed to achieve a desired result
- Some solutions will cross over and can be used in numerous applications
- Operators will need a variety of weapons in the arsenal

ARRIS

ARRIS™

Wireless Plant Extension/Backhaul
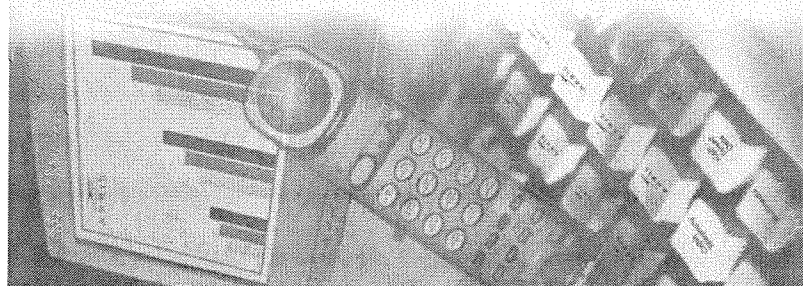
Wireless Plant Extension (WPE) Solutions

- Business is outside the reach of a traditional coax drop
- Obstacles and "right of way" issues exist
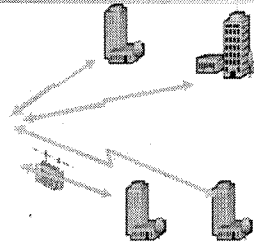
Arcwave DOCSIS® Solution

- DOCSIS transmission over LOS wireless technology
- Point to point or point to multi-point transmissions
- Effective range up to 1 mile
- Installs in less than two hours
- Can be 1/10th the cost of a physical plant extension
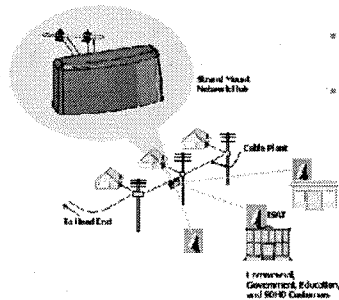
BelAir 802.11 Solution

- 802.11 transmissions to the building and within the building
- Uses DOCSIS, Ethernet and Fiber interfaces
- Point to point or point to multi-point transmissions

ARRIS

Wireless Backhaul Solutions

Drivers

* Extending broadband access to rural, off-shore and areas without conventional access

Remote Headend

Headend

Remote Business

Point of Presence

Branch Office

Wireless Access Points
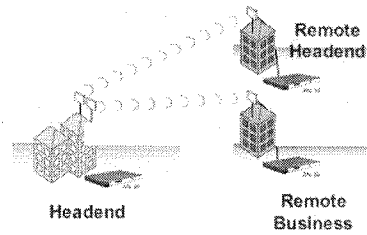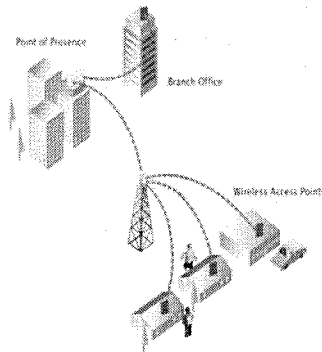
Redline Wireless Backhaul Solution

* OFDM transmission over Ethernet Wireless technology
* Supports business-to business and building-to-building connectivity
* Range of up to 80 km/50 mi in PTP mode
* Range of up to 25 km/15 mi in PMP mode
* High Speed (49 Mbps average Ethernet Data Rate
* Significantly less expensive than a fiber run

ARRIS
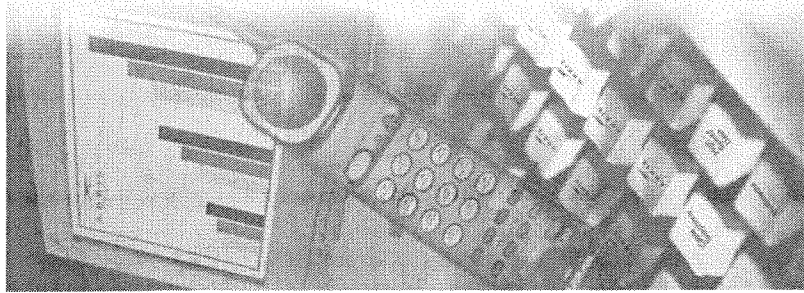
Small and Large Business Applications

SMB/SOHO

Enterprise/Large Business

Specialty Venues

Large and Small Business Applications

Drivers
* Subscriber desire for nomadic mobility
* MSO brand extension and subscriber loyalty
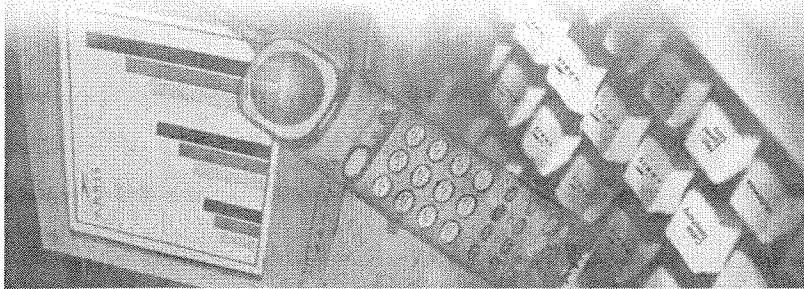
Colubris Wi-Fi Small Business Solution
* HSD via Wi-Fi 802.11 technology
* True commercial application
  - Highly secure
  - Allows management of multiple devices
* Complete "hotspot in a box" solution
* Flexible feature set supports local authentication or 3rd party service solutions
* Capacity for up to 100 simultaneous users

Colubris Wi-Fi Medium to Large Business Solution
* HSD vis Wi-Fi 802.11 technology
* Wireless LAN, Wireless VLAN capabilities
* VLAN tagging, 16 separate SSIDs
* QoS, VoIP capable, indoor and outdoor components
* Capacity for 100 to 1000 simultaneous users

NOC
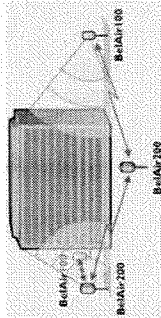
Internet

CN3200

Hotspot
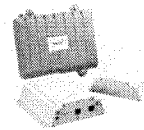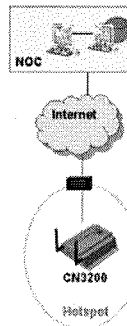
ARRIS

Hospitality/MDU HSD Solutions

Drivers

* Hotel/MDU appetite for HSD offerings
* Competitive advantage and increased ARPU


BelAir Hotel & MDU Solution

* HSD via Wi-Fi 802.11 technology
* Nodes positioned around building
* Radios communicate for wireless mesh connectivity
* Indoor and outdoor coverage

Colubris Hotel & MDU Solution

* HSD via Wi-Fi 802.11 technology
* True commercial application
  * Highly secure
  * Allows management of multiple devices
* Capacity for 100 to 1000 simultaneous users
* Excellent match with ARRIS Cadant® C3™ CMTS
* 3rd party back office billing and management services provided by NetNearU
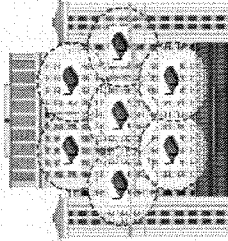
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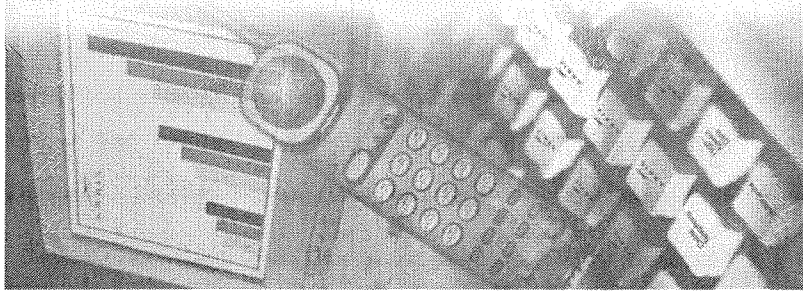
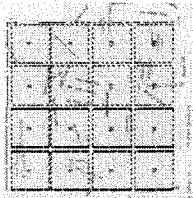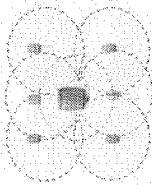## Wi-Fi Hot Zones and Municipal Mesh Networks

Wi-Fi Hot Zones and Municipal Mesh Overview

Hot Zone

Municipal Mesh

Drivers

* Subscriber desire for nomadic mobility
* Blanket Wi-Fi coverage for large areas
* MSO brand extension and leverage with municipalities

MediaCell Municipal Mesh & Hot Zone Solutions

* HSD via Wi-Fi 802.11 technology
* DOCSIS, Ethernet, Fiber and VDSL network interfaces
* For commercial and residential coverage
* Supports less dense "commercial only" and "major roads" applications
* Local and remote content distribution
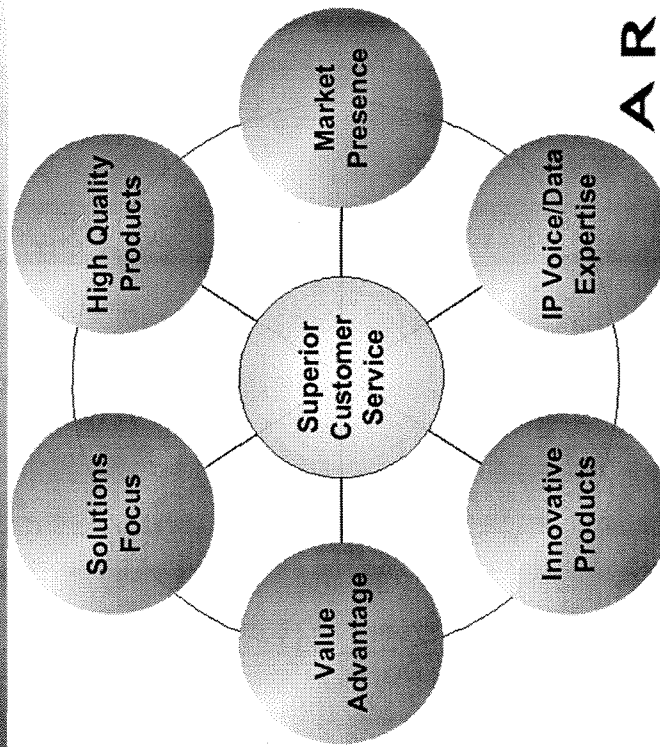* Unloads backhaul network for superior throughput

BelAir Municipal Mesh & Hot Zone Solutions

* HSD via Wi-Fi 802.11 technology
* DOCSIS® (fiber or copper) or Ethernet network interface
* Supports metro-scale deployments in urban areas
* Supports multiple applications
  - Multiple SSIDs mapped to different VLANs
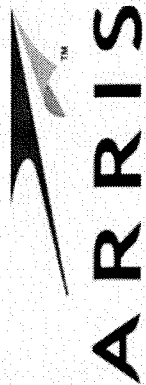 - Enhanced Quality of Service
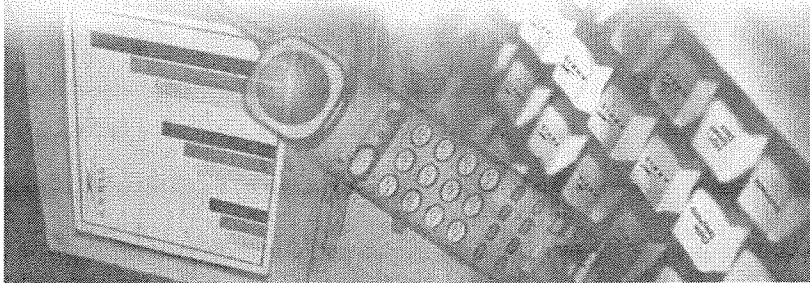 - Full voice support

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Why Customers Choose ARRIS

- Market Presence
- High Quality Products
- IP Voice/Data Expertise
- Superior Customer Service
- Solutions Focus
- Innovative Products
- Value Advantage

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Business Services

ARRIS Has The Tools for Cable!!